STATE OF ARIZONA FILED

JAN 16 2015

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE

In the Matter of an Objection by:

CORNEJO, ALONSO R. AND ALESHA M.,

No. 15A-004-INS

Petitioners.

ORDER

of a Notice of Cancellation by

LIBERTY MUTUAL GENERAL INSURANCE COMPANY,

Real Party in Interest.

On January 5, 2015, Alonso R. and Alesha M. Cornejo ("Petitioners") filed an objection with the Arizona Department of Insurance ("Department") pursuant to Arizona Revised Statutes ("A.R.S.") §§ 20-1633(A) and 20-1652(B) to appeal the cancellation of their private passenger automobile insurance policy by Liberty Mutual General Insurance Company ("Liberty Mutual").

On January 8, 2015, the Director of the Department of Insurance ("Director") ordered an examination of the objection. On January 13, 2015, the Department, through examiner Chris Hobert, issued an Examiner Recommendation ("Recommendation") received by the Director on January 13, 2015. The Recommendation is attached and incorporated by this reference.

The Director has reviewed the Recommendation and enters the following Order:

1. The Director disapproves Liberty Mutual's action.

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1 2. Liberty Mutual shall pay the costs of the examination pursuant to A.R.S. § 20-2 1633(C). 3 NOTIFICATION OF RIGHTS 4 Either party may appeal the determination of the Director to the Superior Court of 5 Maricopa County for judicial review pursuant to A.R.S. § 20-1633(C) and Title 12, Chapter 6 7, Article 6. A party filing an appeal must notify the Arizona Department of Insurance: 7 Consumer Affairs Division of the appeal within ten (10) days after filing the complaint 8 commencing the appeal. A.R.S. § 12-904(B). 9 DATED this /6th day of January 10 11 GERMAINE L. MARKS. Director 12 Arizona Department of Insurance 13 COPY of the foregoing mailed/delivered this 16th day of January, 2015, to: 14 Alonso R. and Alesha M. Cornejo 15 4533 E. Chuckwalla Canyon Phoenix, Arizona 85044 16 Petitioners 17 Krista Young Liberty Mutual Insurance 18 175 Berkelev Street, M09G Boston, MA 02116 19 Real Party in Interest 20 Darren Ellingson, Deputy Director Mary E. Kosinski, Exec. Asst. for Regulatory Affairs 21 Yvonne Hunter, Assistant Director, Consumer Affairs Division Catherine M. O'Neil, Consumer Affairs Legal Officer 22 Arizona Department of Insurance 2910 N. 44th Street, Suite 210 23 Phoenix, Arizona 85018 24 Maidene Scheiner 25 26

EXAMINER RECOMMENDATION

TO: Germaine L. Marks, Director

FROM: Chris Hobert, Market Conduct Senior Examiner

RE: Matter of Alonso R. Cornejo and Alesha M. Cornejo and Liberty Mutual

General Insurance Company (Private Passenger Automobile

Cancellation)

DATE: January 13, 2015

Liberty Mutual General Insurance Company ("Company" or "Liberty Mutual") as well as Mr. & Mrs. Cornejo provided the Examiner on January 13, 2015 with additional information to support each of their positions regarding the upcoming January 22, 2015 mid-term cancellation of Alonso R. Cornejo and Alesha M. Cornejo private passenger automobile policy ("Company" or "Liberty Mutual").

Overview:

Alonso R. Cornejo and Alesha M. Cornejo have been insured with Liberty Mutual since July 1, 2014. On July 22, 2014 the policyholders added an additional driver to their policy and paid the additional premium. On November 18, 2014 the additional driver on the policy was involved in an accident. At that time with the help of SIU the Company became aware of the vehicle involved in the accident along with one (1) other vehicle on the policy being registered through their business ASA Inc. (International Health Insurance Agency). The Company sent a cancellation notice on December 30, 2014 with their intention to mid-term cancel the policy as of January 22, 2015 for "Material Misrepresentation-Failure to disclose vehicle registrations are in business name."

Issues:

The insured on June 16, 2014 met with Agent Rebecca Kossmann, who held herself out as an authorized agent and representative of Liberty Mutual about securing a private passenger automobile policy. During their meeting they provided Agent Kossmann with all documentation and information about themselves, their business and vehicles.

Agent Kossmann acting on behalf of the Company appears to have known the type of business the insureds were involved with along with their employee Piero having access to the vehicle. She stated in an email to the policyholder on December 8, 2014 "I do not believe this is a business or commercial risk, however, it seems they have issues with how the vehicle is how it is registered

Matter of Cornejo January 13, 2015

[sic]". The agent also mentions in that same email that "I also got my hand slapped for adding Piero and not encouraging you to get a business policy at that point, so I will take my licks for that one."

Examiner Review

It appears the Company made their decision to mid-term cancel the policy based on material misrepresentation, which does not appear to have occurred. The policyholders appear to have disclosed to their agent a representative of Liberty Mutual that the vehicles were involved in business activities at the time they were initially quoted back on June 16, 2014. Unfortunately, the Underwriting guidelines make the two (2) commercially registered vehicles not eligible for a private passenger automobile policy. The 2014 Ford F-150 is registered personally to Alonso Rodrigo Cornejo and would be eligible for a private passenger automobile policy.

Recommendation

Under A.R.S. § 20-1631 the policy should not be canceled until expiration, because it has been in effect for sixty (60) days and the policyholder did not obtain the policy through fraudulent misrepresentation. The policyholder disclosed information to the agent that pertained to their business at the point of sale. The agent wrote the business anyways, even though it does not meet their underwriting guidelines. Also, the agent should be provided with training on the Company's underwriting guidelines, so to insure this does not happen in the future.

The Examiner carefully reviewed all information provided by all parties involved while putting together this recommendation.

SUMMARY

This concludes the Examiner's recommendation on the matter of Alonso R. Cornejo and Alesha M. Cornejo against Liberty Mutual General Insurance Company. If I can be of any further assistance in finalizing this matter, please let me know.

Thank you, Chris Hobert, CIE, MCM